

VIA:                     

DISPATCH NO. ROMA-579

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CLASSIFICATION

TO : Chief, EE

DATE: 7 June 1956

FROM :                     

INFO: COS, Germany  
COS, Pull

SUBJECT: General - Operational

Summary - Conversation with Dr. Paul Leverkuehn, 7 June 1956

1. On Thursday, 7 June 1956, I had a luncheon meeting with Dr. Paul Leverkuehn at the                      Hotel in Bonn. I gave Dr. Leverkuehn a copy of the 6 June New York Times which contained the State Department release of the text of the Murshonov anti-Stalin speech. His estimate was that the speech would be read with some interest by many people in Germany, but that we could not expect it to have any particular impact. The impact had already been made here and in the Satellites by the previous announcements of the fact of the speech and by the prior leakages and comments on its contents. He believed that the full text would be of interest mainly to those who wish to ascertain details, but that opinions had probably already crystallized both here and in the Satellites as to what could be implied from the speech and what conclusions should be drawn.

2. Dr. Leverkuehn made a trip in April on a banana boat from Hamburg to the West Indies and returned. He mentioned that it was a restful holiday despite the rather stormy April crossing and that he found it very refreshing to get away from current problems and to immerse himself in a two-volume edition of the life of Disraeli. He had become interested in this book (The Life of Benjamin Disraeli, Earl of Beaconsfield, by Monty Penny and Buckle) because he reopened it to refresh his memory on the circumstances under which the English had originally acquired Cyprus. He stated that he was out of touch with daily newspapers for almost 20 days except for ship's bulletins, and he was astonished how little things had really changed despite all the talk of crises. The situation in Cyprus was as bad as ever, the Arab-Israeli situation was perhaps a little worse, and in general he determined that the frantic pursuit of slight changes in the news from day to day was really not as necessary for the intelligent pursuit of foreign policy as keeping in touch with the main lines and casting one's mind back to the origins in the 19th century. He went on to remark that he thought that the United States put really too much emphasis on the danger of an outbreak in the Near East, and he personally did not believe that the Arab-Israeli dispute was anywhere near the point of breaking out into a war that could upset the whole world.

3. The principal point that he seemed to make was with regard to Turkey and the contrast of our economic position there as opposed to our economic position in regard to Egypt. Turkey, he felt, was a bulwark against Russia, but their economy was in a perilous situation. We were going to provide \$300,000,000 for the high dam in Egypt, and in his opinion

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that was pouring money into the Nile. History demonstrates that nothing rewarding ever came back from investments in Egypt, and our contribution to the high dam would not save Egypt for the West, give us no terrific influence over the direction of Egyptian policy, or alleviate the Israeli-Arab crisis. On the other hand the same amount of money (\$100,000,000) would put the Turkish economy back on its feet again. Our principal aid to Turkey had been military assistance. This military assistance had taken the form of mechanizing the Turkish Army; naturally the farmers also wanted to mechanize their agricultural implements after watching jeeps and tanks rolling down the road. The economic result was that we had changed Turkey into an oil economy, and Turkey has no oil resources. Therefore one of the largest charges on the Turkish economy is the gasoline bill necessary to fuel their mechanized army. This gasoline item is a major item in their present annual deficit. If the oil companies put pressure on Turkey and Turkey cannot meet this oil bill, we may possibly lose the advantage we had apparently achieved in mechanizing the Turkish Army. Naturally the Turks, a warlike people, will gladly accept any arms we provide them, but we should also coordinate our programs and take note of what we are doing to the basic economy of the country.

4. Dr. Leverkuehn admitted that at the present time and with some slight increase in the near future Germany was finally developing capital for export. The amount of this export capital would be relatively modest but it was still true that for the first time since 1918 Germany would be in the capital export market. The Foreign Affairs Committee of the Bundestag, of which Dr. Leverkuehn is a member, has decided to do something about the coordination of German export capital and its integration with German foreign policy and total policy. A sub-committee of the Foreign Affairs Committee has therefore been established, and Dr. Leverkuehn has been named chairman of this foreign aid committee. He hopes to come up with the relatively modest budget of DM 50,000,000 for the first foreign aid project for this committee. One of the principal objects of expenditure may be Afghanistan. Germany is in a position at the present moment to extend credit only for such short periods as five or six years and at a rate of six per cent. Since the Afghans may be tempted to take longer term Soviet credits at 2 1/2 percent, it is Leverkuehn's idea that German firms should be able to adjust their interest rate to 2 1/2 percent, and have the balance provided by a subsidy program under a foreign aid scheme. He has written a memorandum on this subject to both Foreign Minister Brentano and to Dr. Dietrich in the Bundeskanzleramt. He has also invited their attention to the possible use of German counterpart balances as a possible source of revenue for such foreign aid programs. Another object of this foreign aid program, especially because of his ardent interest in the country, might very well be Turkey.

5. We had a general discussion of the Soviet economic offensive. He did not agree with my statement that the Soviets were in an ideal position to direct their economic programs towards political ends, and that they could be more flexible than we could and pick and choose objects for foreign aid with an eye to political modification, i.e., absorption of Burmese surplus rice and Egyptian cotton. In his opinion we need more facts on the Soviet financial position, and especially on the nature and extent of

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their commitments with Soviet China. He pointed out that the Soviet-Chinese agreements completed in 1954 spoke only of Soviet investments in China to the extent of 500,000,000 rubles. This 500,000,000 in international terms is really not a large investment. Neither is the turnover to the Chinese economy of some 107 industrial establishments, especially if these include Soviet developments in Saxiank. It contrasts oddly with the announcement at the 20th Party Congress that the Central Economic Directorate of the Soviet Union had turned back some 23,000 industrial establishments to the individual members of the Union.

6. He emphasized the necessity for better intelligence on the Soviet Bloc economy. It was his intention to make sure that the Foreign Office had the best studies at its disposal, and he hoped to do something about interpreting the efforts of Koch Institute in Munich and the Klaus Vothert operation in Stuttgart in order to get economic studies for the shaping of German foreign policy. Knowing that he had raised in Washington the subject of obtaining certain background information, I told him that we might be able to supply certain materials if the subject matter were fairly specific. He seemed slightly averse to discussing any provision of material unless it came to him through the Foreign Office. I therefore pointed out to him, as he was aware, that we now exchange certain finished studies with the Bundesnachrichtendienst, and I presumed that the BND customer (or these finished studies would be the German Foreign Office. It was therefore clear that German Foreign Office requirements laid upon the BND might, in part, be satisfied by material that came from BND exchange sources.

7. Dr. Leverkuehn said that there was considerable interest in German foreign policy circles at the present time in coordinating the whole question of economic foreign policy. He had recently written an article on this subject for Die Welt which the editors had featured on page 3 with the caption that German economic policy was "unzulänglich" (inadequate). Dr. Leverkuehn felt that this was probably a harsh caption to have over the article of a prominent CDU member, but found that Foreign Minister Brentano and others did not regard it in this manner but agreed that economic and foreign policy was inadequate and something had to be done about it. Dr. Leverkuehn said that he had written a long confidential memorandum on the subject to Minister Brentano which was now being reproduced, and he promised to mail me a copy from Hamburg. It probably contains his reflections on the present argument over the state of business (Konjunktur) in Germany. He believes that Schaeffer and Brand are unnecessarily worried about the danger of inflation and are attempting to put curbs on the policy that built up the German economy, just because they fear there might be a classic reversal, but with no actual indications that inflation is a present danger.

(65) Ludwig

8. I told Dr. Leverkuehn that I was leaving at the end of June, and he expressed the hope that we could see each other again before my departure. He stated that he wished he could have another conversation with ASCHAM.

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about the world problems in which he was interested, but that his plans did not foresee a trip to the United States this summer or fall. He asked me, however, to convey his best personal wishes to ASCHAM.

9. It is suggested that this memorandum of conversation be called to the attention of ASCHAM and ☐ ☐

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